EXHIBIT 30

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: . Case No. 02-41729

ADELPHIA COMMUNICATIONS, . New York, New York
. Thursday April 27, 2006
Debtors. . 9:02 a.m.
CORRECTED TRANSCRIPT

TRANSCRIPT OF COURT DECISION
JOINT MOTION IN AID
RATE AND COMPUTATION OF POST-PETITION INTEREST
BEFORE THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

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(Proceedings commence at 9:02 a.m.)

THE COURT: Have seats, everybody.

I have some decisions to announce and some matters of a preliminary nature to address. We'll use this time between now and about 9:45 for those matters and then proceed with the disclosure statement hearing at 9:45.

On Monday I took under advisement the separate matters as to the appropriate rate of pendency interest and the interest rate component of the debtors' settlement with the holders of the trade claims. For the reasons that will follow, I am ruling that the payment at the rate the debtors propose is appropriate. I am further ruling that the interest rate level aspect of the settlement with the holders of trade claims should be approved. Though, if time permits or if circumstances require, I'll issue a superseding discussion in writing. I'm going to advise you now, in a dictated summary on the record, of my determinations.

Turning first to the interest rate.

Section 502(b)(2) of the Code provides for the allowance of claims except to the extent that they are "for unmatured interest." That means, at least as a practical matter, interest after the filing date. But while Section 502(b)(2) provides that an allowed unsecured claim doesn't include unmatured interest, 502(b)(2) doesn't prohibit the award of interest to creditors in all circumstances. See

Coram Healthcare at 315 B.R. 344 (citing Dow II, 244 B.R. 691.) Many courts have recognized that the payment of pendency interest to unsecured creditors is appropriate when a debtor is solvent.

Courts have carved out two exceptions to the general rule disallowing post-petition interest on unsecured claims. Both apply only when a debtor is solvent. The first is based on Section 726(a)(5) of the Code, made relevant to Chapter 11 cases by the "Best Interests of Creditors" rule of Section 1129(a)(7). The best interests test is triggered when a member of an impaired class of creditors rejects a plan of reorganization. It requires courts to examine what such dissenting creditor would receive in a hypothetical Chapter 7 liquidation. Section 726(a)(5) provides that unsecured creditors in a Chapter 7 liquidation must receive interest at the "legal rate" from the date of the filing of the petition.

Courts differ as to the appropriate interpretation of "the legal rate," and the Second Circuit has not decided the issue. For reasons that I'll discuss at length if I have the luxury of doing a full-blown written opinion, I agree with the Ninth Circuit's conclusion in Cardelucci, to the extent that it addresses Section 726(a)(5) "legal rate" and Best Interests of Creditors considerations (which seem to be the only issues it focused on), Judge Spector's decision in Dow I, and the majority of the cases, which hold similarly.

It is by far the better view, in my opinion, that "legal rate" is the federal judgment rate and not the same as that authorized under Section 506(b), which is a contract rate. Though Cardelucci is the only decision at the Circuit Court of Appeals level addressing the matter, I come to its "legal rate" result not so much because it is a Circuit Court decision, or for the quality of its analysis (which I frankly think is inadequate in its discussion of 1129(b) considerations), but rather for many of the reasons Judge Spector articulated in Dow I and by reason of the difference -- significant, in my view -- in the manner of addressing pendency interest in Section 506(b), with respect to secured creditor entitlements, and Sections 502(b) and 726, with respect to unsecured creditor entitlements.

Thus, any proposal that paid pendency interest at either the contract rate, a rate close to the contract rate (which is what the debtors proposed and which I'll call the "Adjusted Contract Rate"), or the federal judgment rate would pass muster under the Best Interests of Creditors Rule, insofar as creditors of Adelphia subsidiaries were concerned.

But turning to the area where I think the Cardelucci Court might have done a little better job, the Best Interests of Creditors requirement is not the only requirement that must be satisfied, and it is at that point that I must diverge from the positions of the parent creditors, even

though <u>Cardelucci</u> says what they say it says. The second exception is based on the "fair and equitable" standard of Section 1129(b), which would need to be considered in the event certain classes reject the plan, as some threaten to do, and the debtors then seek to cram the dissenters down, or the debtors' plan gives creditors a proxy for having done that (as it does here) by saying that they can support the plan and still reserve their "fair and equitable" rights. To satisfy the fair and equitable test under Section 1129(b), a rejecting class of impaired creditors must be paid in full before junior creditors may receive any distribution under a plan.

But the threshold issue is: What does "paid in full" mean? The answer to that, in my mind, is quite clear, particularly as a statutory matter. Section 1129(b)(2) says that the condition that a plan be "fair and equitable" with respect to a class "includes" certain requirements. and its Subsection (b)(2)(B) says, with respect to a class of unsecured claims, that before any junior creditor or interest holder gets anything, the plan must provide that the more senior creditor receives property of a value, as of the effective date of the plan, "equal to the allowed amount of such claim." As I discussed at the outset, under Section 502(b) of the Code the allowed amount of an unsecured claim doesn't include unmatured interest, and instead would be

merely for principal and interest accrued and unpaid as of the filing date. So as a statutory matter, in order to satisfy the "fair and equitable" requirement, you don't have to pay pendency interest, even at the federal judgment rate.

But Section 1129(b)(2) precedes its three subsections of requirements that have to be satisfied -- one for secured claims, one for unsecured claims, and one for interests -- with the expression "includes." As I noted in my recent decision on the Arahova Trustee motion, as Judge Spector noted in Dow II, and most importantly, as Code Section 102(3) expressly provides, the expression "includes" is not limiting, so it does not by its terms foreclose the possibility that other requirements for "fair and equitable" might be imposed under common law. And here I think there are additional requirements, as embodied in the case law in reorganization cases applicable to those rare cases in which we have solvent debtors.

Judge Drain addressed these issues, though at least arguably in *dictum*, in his bench decision in Loral. I'm on record as having said that the interests of predictability in this District (and not just Circuit) are of considerable importance to the financial community, and that as a personal matter, while the decisions of fellow Southern District of New York Bankruptcy Judges technically are not binding on me, I follow them in the absence of manifest error. Here we not

only don't have such manifest error; I think Judge Drain described the applicable law perfectly. Thus, to the extent his analysis is relevant here, I believe I should follow Judge Drain's statements of the law in Loral in full, and then to take them into account in deciding the extent to which I have discretion, and in exercising my discretion.

As Judge Drain noted, the fair and equitable basis for post-petition interest reaches way back, at least as far back as the Supreme Court decision in Vanston Bondholders. I think those pre-Code cases and Loral collectively stand for the proposition that where an estate is solvent, in order for a plan to be fair and equitable, at least some pendency interest must be paid.

But how much? Some of the litigants here have mentioned remarks read into the Congressional Record in dealing with the 1994 amendments to the Code that deleted the Subsection 3 that used to exist in Section 1124 of the Code, to override the New Valley decision. As stated in the Congressional record:

> "Specifically, courts have held that where an estate is solvent, in order for a plan to be fair and equitable, unsecured and undersecured creditors' claims must be paid in full, including post-petition interest, before equity holders may participate in any recovery."

Counsel for the parent bondholders has pointed out that the quoted language was not with respect to Section 1129, but rather Section 1124 of the Code, and that the snippets from the Congressional record followed, by more than fifteen years, the enactment of the statutory language in Section 1129 that I need here to interpret. But Judge Drain considered that quotation worthy of mention and took it into account, albeit to a limited extent, and I think I should do likewise. In favor of considering it, I think I should take into account the statutory language Congress repealed, the old Section 1124(3), which until then had permitted a debtor to pay a creditor in full but without interest, and for that creditor then to be unimpaired, thereby denying it the opportunity to vote against a plan and invoke its rights, on a cram-down, to fair and equitable treatment.

I think it's fair to read that legislative history and the deletion of old Section 1124(3) as indicating a Congressional comfort with the notion of solvent debtors paying post-petition interest (even though no such explicit requirement exists under the Code). But I think it's less fair to read it as specifying the amount, and I am wary of considering that legislative history quote as a substitute for the case law. I think the greatest danger in mechanical reliance on that legislative history is not its procedural context or any hard and fast rules about when legislative

history should or should not be considered, but rather the legislative history's shorthand for a body of law that's considerably more refined and sophisticated than the quoted language reveals. And the very words in that legislative history make it rather clear that they do not express a Congressional policy judgment, but rather a capsulization by the speaker of cases that I could (and did) read myself. I think the best evidence of what the Supreme Court and other courts have held can be found in the decisions themselves, as compared and contrasted to what this legislative history says those cases say.

Now what those cases say, as Judge Drain noted, is that "the touchstone of each decision on allowance of interest in bankruptcy, receivership and reorganization has been a balance of equities between creditor and creditor or between creditors and the debtor." Like Judge Drain, I've just quoted from Vanston Bondholders, a decision of the Supreme Court that's binding on all of us.

And Judge Drain noted, consistent with the great bulk, if not all of the cases of which I'm aware, that "the Court has a large amount of discretion" in deciding "what the appropriate rate of interest should be" under a Chapter 11 plan for a solvent debtor. (Note, by the way, that he made that observation after quoting the legislative history referred to above, confirming his understanding, which is

also mine, that the loose language in the legislative history did not speak to what the appropriate rate of interest should be.)

The cases addressing pendency interest under the 1129(b) standard consistently note the wide latitude of discretion courts have in determining what constitutes a fair and equitable rate of interest. As Judge Spector noted in Dow II, the "prevailing and better view is that the phrase 'fair and equitable' is as broad as it sounds." Dow II, 244 B.R. 694. The Dow II Court -- that's Judge Spector -- emphasized "the wide parameters associated with the fairness inquiry" and "the discretion ... [courts] are generally accorded in matters concerning post-petition in interest." Id. at 695.

In Coram Healthcare, which Judge Drain cited with approval and which I also believe warrants consideration, Judge Walrath similarly concluded that the specific facts of each case will determine what rate of interest is fair and equitable. In In Re: Anderson Carter, 220 B.R. 411 (Bankr. D. New Mexico), a Section 726 case addressed by Judge Drain in the 1129(b) context, the Court likewise noted that "[c]ase law also provides that payment of post-petition interest on unsecured claims in a Chapter 11 setting is a matter within the Court's discretion and depends on the equities of the case."

So now, in an area where I have wide discretion, I need to determine what's fair here. Assuming (which I will for the purposes of this discussion only) that any given debtor group is solvent, I think it would be an abuse of my discretion to deny the payment of any pendency interest whatever. And though the matter is closer, I believe that on the facts here, the adjusted contract rate, and not the default and/or compounded rate on the one hand, or the federal judgment interest rate, on the other, is the rate that is fair and equitable. The arguments cut both ways, but on balance I believe the debtors' proposal most closely tracks the applicable precedents and what Adelphia told its creditors to expect, and I believe it should be approved.

Creditors of the subsidiaries argue that this -- excuse me.

Creditors of the parent argue that this situation is quite different from the paradigm case in which equity, often held by insiders, benefits at the expense of the creditor community, and in this respect, they are of course right. Under the facts of this case, awarding interest at a lower rate won't reward insiders, or for that matter, even innocent public equity; as a practical matter, it will merely shift value from one creditor constituency to another.

The creditors of the parent -- and the non-Rigas preferred stock and common stock equity, for that matter --

were indeed victims, just as the creditors of the subsidiaries were. And the parent creditors are also correct when they observe that they didn't bargain for equity-style upside and lacked the ability to manage the affairs either of the subsidiaries or of the parent.

I understand and sympathize with the parent bondholders' points, but in the exercise of my discretion, I think the countervailing factors outweigh them. On balance, I think the fact that parent creditors must recover from the entity with whom they dealt -- and that the parent's interest in its subs was in law and substance equity -- is a matter not just of form, but also of substance. For purposes of analysis in a multi-debtor, parent/subsidiary, case where creditors would have justifiably focused on what we refer to in bankruptcy parlance as "structural seniority," that structural seniority must be taken into account. And I believe that the "structural seniority" of subsidiaries and subsidiary creditors' rights of priority to subsidiary assets was something that senior creditors know about, or should have when they bought their bonds. Quoting from one of the prospectuses for parent-level bonds:

> "The operations of the Adelphia Parent Company are conducted through its subsidiaries. Therefore, the Adelphia Parent Company is dependent on the earnings, if any, and cash flow of and distributions

from its subsidiaries, to meet its debt obligations, including its obligations with respect to the notes. Because the assets of its subsidiaries and other investments constitute substantially all of the assets of Adelphia Parent Company and because those subsidiaries and other investments will not guarantee the payment of principal of and interest on the notes, the claims of holders of the notes effectively will be subordinated to the claims of creditors of those entitles."

Similarly, it stated in its Risk Factors:

"In the event of a foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding of Adelphia Parent Company and our subsidiaries, the creditors and holders of preferred stock of our subsidiaries must be paid in full before any of the subsidiaries' assets would be available to Adelphia Parent Company, *as the subsidiaries' equity holder* for our creditors, including the holders of the notes."

I have read from two places in that prospectus, but there are other similar statements elsewhere in that prospectus, and at least three other prospectuses are similar in words or substance.

Now I need to emphasize something here. These

statements, which come from exhibits that are in evidence in the hearings on the MIA, speak to the upstreaming of value, from subsidiaries to their ultimate parent, in the form of *dividends or liquidation payments* or their equivalents -- the basic entitlement of equity -- to Adelphia Parent, *as the subsidiaries' equity holder*. And it is at least arguable, if not strongly arguable, that those statements have nothing to do with whether subsidiaries owe money to Adelphia Parent, or to other subsidiaries, as *creditors* of those subsidiaries -- where the parent entitlement is in the nature of debt owed to it, not equity. That is an issue in the MIA, and I am not deciding it today. But what I am saying today is that when we're talking about what's fair and equitable to creditors of the subsidiaries on the one hand, and of the parent on the other, the debtors' pendency interest proposal -- which comports with what parent bondholders were told in the prospectuses covering their bonds, and which is consistent with the fact that higher- level debtors are equity holders of their subsidiaries -- is, despite the fact that all creditors are victims in the Adelphia cases, "fair and equitable." It is also consistent with my colleague Judge Drain's conclusions in Loral, and those of Judge Spector in Dow II. Though I recognize once more that these cases are fact-specific, I read the applicable case law authority the same way they do, and think I should rule similarly.

I think Judge Walrath's decision in Coram Healthcare makes clear that in these fact-specific cases, bankruptcy judges have the power to reduce the pendency interest entitlement, at least down to the level of the federal judgment rate, and perhaps even down to zero, in instances of creditor misconduct, such as the situation Judge Walrath faced there and, at least arguably, in other instances in which an award of contract interest or adjusted contract interest simply wouldn't be fair. Now I considered whether that principle was applicable here.

But I don't think the circumstances here are as serious or unfair as those she encountered there, and on balance are insufficient to warrant such a treatment in this case. The desire of creditors at the subsidiary level to wish to litigate the merits of the issues in the MIA is understandable, and well within their rights. And the fact that the litigation of the MIA has taken time, and likely will take longer, can't be laid at the feet of any particularized subset of the MIA participants.

The bulk of the longer-than-average four years duration of this case was occasioned (in no particular order) by the complexity of these cases, the need to deal with the legacy of the Rigases, the difficulty in ascertaining the company's true financial condition and true obligations, both to the outside world and as between debtors, and, of course,

in marketing the company for what has turned out to be the proposed Comcast-Time Warner sale. The MIA arose, in material respects, less than a year ago, and MIA issues have accounted for only about a fourth of the total duration of these cases, at the most.

Plainly the conduct of some of the subsidiary creditors in trying to maximize their distributions at the expense of all of the other creditors has been a matter of concern to me, but those concerns can be addressed in other ways, and it would be grossly inappropriate, at the least, to penalize all of the creditors who did not act likewise, but who may be in the same creditor classes (or who may have similar claims for pendency interest), based on the conduct of a subset of them.

Also, I should emphasize that we are only talking about pendency interest; that is, interest for the period from the filing date to the effective date of the plan. We are not talking about the interest that will be recoverable after that date. If the holdback plan is confirmed, huge amounts will be held in reserve, and it could be argued that if a creditor constituency believes its debtor group will be held to be solvent, it might have a perverse incentive to drag out the MIA process at the expense of its opponents, in the belief that interest accruals will augment its recovery at the expense of the other creditors. I am not addressing

that now, only to note that the considerations applicable to such a scenario might be very different from those presented here, and that if we get to that point, people should be prepared to address these matters, as they are a matter of concern to me.

A word about the requests, by the Olympus bondholders and others, for interest at more than the simple interest rate, at higher default rates or as a consequence of compounding. I don't doubt that the Olympus creditors are right when they say that applicable state law, in this case the law of the State of New York, would permit them to collect default interest and compound interest in a non-bankruptcy situation. But here we have a bankruptcy situation and do not have secured creditors, who have statutory rights to their contractual entitlements under Section 506(b). As I've discussed at length above, this is a matter where I have wide discretion, and where the common law, as enunciated by the Supreme Court in Vanston Bondholders and its predecessors, tells us that the touchstone of a decision of this character is the "balance of equities between creditor and creditor or between creditors and the debtor."

Here, because the amount of time it has taken to administer these cases has to some degree benefitted all creditors, the debtors' plan has evidenced a determination

that awarding compound and/or default interest to subsidiary creditors at the expense of recoveries of creditors of the parent would not be fair because those subsidiary creditors would receive not only the benefit of the time it took to restructure the debtors' business, address the Rigases' fraud, and maximize the estate's value, but also the benefit of the highest possible return on capital available to those subsidiary creditors, all to the detriment of junior stakeholders. Such a result is inequitable. Giving subsidiary bondholders the core of their bargain -- principal and simple interest -- is, as I have discussed, a necessity to honor basic expectations under the fair and equitable requirement, even though it comes at the expense of structurally junior creditors. But giving subsidiary creditors the further incremental recovery they also desire is not. The fact that the Supreme Court included "between creditors and the debtor," along with "creditor and creditor," in Vanston Bondholders leads me to conclude that, at least in a case like this one, where entitlements of creditors affect entitlements of structurally junior creditors, of debtors that are the equity holders of lower-level subs, there is much more than sufficient authority to make adjustments in certain creditor groups' non-bankruptcy interest entitlements to achieve greater overall fairness. For instance, even as adjusted by the debtors' proposal, the

Olympus Bondholders will receive, by my computation, about 144 percent of their claims, with about four years of pendency interest, at nearly eleven percent per year. Where, as here, insider equity would not be the beneficiary of giving the Olympus Bondholders even greater entitlements, and the recoveries instead would be going to creditors who will not even get 100 percent of their claims, I cannot regard the balance of equities as having been inappropriately distorted by the debtors, especially in a material fashion. To the contrary, distributions of the type the debtors propose -- providing payment in full of principal, plus pendency interest in full at a simple interest rate; for example, the nearly eleven percent rate to be awarded to the Olympus bondholders -- do indeed, as the debtors argue, strike the appropriate balance between delivering the essence of their contractual promise and avoiding excessive payments at the expense of other creditors. In the exercise of my discretion, I hold it to be entirely acceptable.

Now turning to the interest rate component of the settlement on the trade claims.

I don't need to speak at length, or clutter up my discussion with numerous citations, on the standards for approval of a settlement in this Circuit. I dealt with it at length in my discussion in this case on the debtors' motion to approve their settlement with the DoJ and SEC, which

decision was affirmed on appeal. See In Re: Adelphia Communications Corp., 327 B.R. 143 (Bankr. S.D.N.Y. 2005), *aff'd.* 337 B.R. 475 (S.D.N.Y. 2006). As set forth in that decision, the legal standard for determining the propriety of a bankruptcy settlement is whether the settlement is in the "best interests of the estate." I note in that connection, as I noted in oral argument, that I am not applying a "business judgment" test.

To determine that a settlement is in the best interests of the estate, the Supreme Court held in TMT Trailer Ferry that the settlement must be "fair and equitable." [Id. at 424, 88 S.Ct. 1157.] Such a finding is to be based on "the probabilities of ultimate success should the claim be litigated," and:

> "[A]n educated estimate of the complexity, expense, and likely duration of ... litigation, the possible difficulties of collecting on any judgment which might be obtained, and all other factors relevant to a full and fair assessment of the wisdom of the proposed compromise. Basic to this process in every instance, of course, is the need to compare the terms of the compromise with the likely rewards of litigation."

Importantly, the settlement need not be the best that the debtor could have obtained. Rather, as the Second

Circuit held in Penn Central, the settlement must fall "within the reasonable range of litigation possibilities." And as the Circuit held in W.T. Grant, a bankruptcy court need only "canvass the issues and see whether the settlement falls below the lowest point in the range of reasonableness." A decision whether to accept or reject a compromise lies within the sound discretion of the Bankruptcy Court.

At this juncture, I am asked only to gauge the reasonableness of the eight percent pendency rate to be provided to holders of trade claims, and I find that this aspect of the settlement easily passes muster under the standards of TMT Trailer Ferry, the Second Circuit cases, and the decision of Judge Schwartzberg in Texaco, where he articulated factors similar to, but a little more detailed than, those set forth in TMT Trailer Ferry for consideration when deciding whether or not to approve settlements. Those included:

(1) The balance between the likelihood of plaintiff's or defendants' success should the case go to trial vis-a-vis the concrete present and future benefits held forth by the settlement without the expense and delay of a trial and subsequent appellate procedures;

(2) The prospect of complex and protracted litigation if the settlement is not approved;

(3) The proportion of the class members who do not object or who affirmatively support the proposed settlement;

(4) The competency and experience of counsel who support the settlement;

(5) The relative benefits to be received by individuals or groups within the class;

(6) The nature and breadth of releases to be obtained by the directors and officers as a result of the settlement; and,

(7) The extent to which the settlement is truly the product of arm's length bargaining, and not of fraud or collusion.

Whether articulated in the TMT Trailer Ferry terms -- "the probabilities of ultimate success should the claim be litigated" -- or in Texaco terms, those focusing on the likelihood of success in the form in which I quoted them above -- I think the first factor, which I weigh heavily, plainly favors approval.

In my view, if the debtors were to litigate entitlements to interest on the thousands of trade proofs of claim, they would have mixed results, with mixed incremental gains and losses, by reason of the variances in contractual terms from one agreement to the next, differences in the law amongst the thirty-one states whose substantive law would

have to be applied, and differences in the application of the law to each of those agreements. It is arguable, but by no means clear, that the debtors could prevail on the argument that a common federal judgment interest rate would apply to all non-interest-bearing claims, and it is even less clear that they would necessarily prevail on claims where a stated interest rate appeared on an invoice.

In that connection, many of the vendors' invoices called for interest on unpaid amounts of one and a half to two percent per month, which, if honored, would have resulted in claims for interest of from eighteen percent to twenty-four percent annum. Though it's now nearly forty years ago, I still remember the difficult "Battle of the Forms" issues we dealt with in law school, and I consider them, at the least, more than fair game for litigation. And once one gets past the offer and acceptance issues associated with battles of the forms, there are separate issues as to whether contracts seemingly including such interest provisions should or should not be regarded as contracts of adhesion -- remembering that here we are not talking about unsophisticated consumers being bound by those forms, but rather by a multi-billion-dollar business entity.

I also recognize that the litigation might also involve, apart from contractual and civil procedure issues, issues as to discrimination amongst creditors or the

equitable fairness of the proposed settlement, in a manner akin to those I've addressed above on pendency interest. In this respect, Adelphia could certainly argue for a lower rate, but it would have to do so in the context of other creditors getting pendency interest of from six percent on the low end to 11.875 percent on the high end -- a rate environment in which the eight percent that would go to the trade claims holders would hardly stand out. There would be differences in circumstances of course -- not the least of which is that the interest rate is typically one of the most heavily bargained-for aspects of funded debt. But on the other hand, the holders of trade claims could legitimately argue that of all the creditor groups, they were the ones that benefitted least from the substantial time that this case took to reorganize. They were structurally senior to almost everybody, and didn't need such a long time to generate enough value to pay them in full. They were denied the opportunity to get their distributions quickly and reinvest those distributions elsewhere, while the debtors focused on maximizing value for everyone else. On the merits, this argument would have some force.

Turning to the second factor, the burden and complexity of the litigation, which I also weigh heavily, the facts here likewise strongly support approval of the settlement. The debtors have spoken of having 18,000 proofs

of claim, and while the number of those that are trade claims has not been made clear, it is at least likely that they represent a large proportion of the total. They were filed against debtors doing businesses in thirty-one states, and representing thousands of individual contracts. (Since some proofs of claim may combine claims on multiple contracts, and others may involve master contracts, I assume this number may be more or less, but plainly it would require review of all those proofs of claims to find out.) If the matter were to be litigated, the debtors would be faced with the significant burdens of (a) reviewing each agreement or instrument supporting a particular rate of interest payable on the claims; (b) in the event no agreement exists, determining the state in which the claim arose to award the correct state judgment rate of interest; and (c) litigating the entitlement to interest reflected in invoices and purchase orders and litigating whether such documents constitute "contracts" for purposes of payment of pendency interest. And then, as I noted, addressing the battle of the forms, and then addressing the extent to which they might be regarded as contracts of adhesion.

At the outset of argument, I wondered whether the interest rate agreed on might be slightly high, thinking that I would have regarded the perfect settlement amount to be six percent, rather than eight percent. But I came to realize

that this was an insufficient basis to disapprove the settlement, both for factual reasons, which I'll discuss momentarily, and legal ones; the latter referring to the point that I previously discussed: That a bankruptcy court's review is not based on such a test, what the Bankruptcy Court might have done or what it might have preferred, but rather on whether the settlement falls below the lowest point in a range of reasonableness.

At the outset, I had assumed -- now I believe unrealistically -- that because at the time Adelphia had its headquarters in Pennsylvania, which has a six percent interest rate, its claims would bear at most the six percent interest rate under Pennsylvania law. But it later became clear that the trade claims at least arguably arose much more locally, where Adelphia has its subscribers and field operations, resulting in an array of arguably applicable interest rates, with those in several jurisdictions where Adelphia has the most subscribers - for example, California, with its ten percent interest rate, and New York, with its nine percent rat -- higher than the eight percent that was agreed on. I also was reminded of the invoices claiming interest entitlements of from eighteen to twenty-four percent per year, as I have noted above, dramatically increasing the stakes in losses over applicable interest rate issues. All of this would make litigating all of these issues a

litigation nightmare. To say there would be a "prospect of complex and protracted litigation if the settlement is not approved" would be the understatement of the decade.

With respect to the third Texaco factor, which is adapted from civil class action litigation and which translates imperfectly into a bankruptcy context, I consider this factor, but give it only modest weight. Here, some constituencies favor the settlement, but I sense that a greater number oppose it. But as I held in my ruling on the DoJ-SEC settlement, the approval of a settlement cannot be regarded as a counting exercise. Rather, it must be considered in light of the *reasons* for any opposition, and the more fundamental factors -- such as benefits of settlement, likely rewards of litigation, costs of litigation, and downside risk -- described above. And as counsel for the FrontierVision Bondholders observed, making a point that I regarded as significant, there can come a time in a case when it's important to get issues resolved and to reach closure on outstanding issues. And some constituencies recognize this sooner than others do.

I also note in this connection that the settlement interest rate is the same as the settlement interest rate in the settlement recommended by the Creditors' Committee in the fall of 2004. Of course, the circumstances now are not quite identical to those then. But the underlying issues that

would be the meat of any litigation do not differ, especially in material respects, and since that time the estate has had a greater need to get issues behind it to bring this case to a successful conclusion; and, if it can meet the standards for confirmation, getting its deal with Time Warner and Comcast done, so that it can deliver value to creditors in these cases.

The fourth Texaco factor -- the competency and experience of counsel who support the settlement -- while not as important as factors such as the chances of success and the burdens of litigation -- likewise favors approval of the settlement. The fifth and sixth Texaco factors are not applicable to any material extent here. The seventh factor -- the extent to which the settlement is the result of arm's length bargaining and is not collusive -- is, as I noted in my earlier settlement decision, of great importance when it is lacking, but of only modest importance in other cases. Here, there is no basis for a conclusion that the settlement at this rate was anything other than an arm's length deal.

For the foregoing reasons, I can easily make the Penn Central and W.T. Grant findings. This settlement falls well "within the reasonable range of litigation possibilities." I find that the eight percent rate to be provided under the settlement is fair and equitable, and it is approved.

We're now going to take a five-minute recess, at which time counsel can get ready for the disclosure statement hearing.

I will note only one other thing before we take the recess.

As most of you know, we have had discussions as to whether one of my judicial colleagues should act as a facilitator; in fact, I think we used the words "hall monitor," to assist parties in the resolution of the MIA. My colleague Judge Morris will act in such a role.

I would request either or both of the debtors or the Creditors' Committee to act as a mechanical facilitator to help get the parties together with Judge Morris, so that she can assist me in that regard.

We will now take a five-minute recess, at which time I'll take the disclosure statement matters immediately thereafter.

(Proceedings concluded at 9:54 a.m.)

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CERTIFICATION

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of my knowledge and ability.

Coleen Rand

April 28, 2006

Coleen Rand
Certified Court Transcriptionist/Agency Director
For Rand Transcript Service, Inc.